http://www.ijssit.com Vol III Issue II, May 2017
ISSN 2412-0294

EFFECT OF RISK MANAGEMENT FACTORS INFLUENCING FINANCIAL PERFORMANCE: A CASE OF COMMERCIAL BANKS IN KISII TOWN, KENYA

[1*] **Dorcas Kerubo Nyakung'u**
Student Msc Finance,
Jomo Kenyatta University of Agriculture and Technology
nyakungudorcas@gmail.com

[2**] **Willy Muturi**
Jomo Kenyatta University of Agriculture and Technology
mmuturi2001@yahoo.com

Abstract

The purpose of the study was to assess the effect of risk management factors on financial performance. The proposed study was conducted in Commercial banks in Kisii town, since there has been a tremendous growth in number of commercial banks Data collected was analyzed by use of descriptive statistics such as frequencies, means and standard deviation, correlations and regression analysis to assess the association between variables. The findings were presented by use of tables and then conclusions were drawn from the study after data analysis. The findings indicated that inflation risk increases losses which were positively and moderately related to their influence of inflation rates predictable at r 0.504. The study findings also show that there was weak relationship between inflation risk and deposit reduction due to low returns from expected increase of inflation rates. The findings recommended that acceptance level of risk should be mismatched and set of various maturities. The manager should undertake legal action for clients who fails to follow bank risk control like borrowing of loan repayment. The study findings show that attention to minimize risk improves financial performance in Commercial banks in relations to credit risk, operational risk and inflation rate risk on financial performance. The study suggested for further study on risk management factors but with different methods of data collection.

Keywords: Commercial Banks, Financial Performance, Risk Management

INTRODUCTION

Earlier studies have been conducted to describe how risk management factors affect financial performance in different countries and found out that risk management factors are a global challenge. Studies from American accountant association described risk as the term used to interchange uncertainty of variability of gains from expected assets which states that risk is the opportunity of unexpected business loss or profit. They further argued that more variability leads to more risk which in turn increase gain or reduce advantage but in practice risk management is still persisting in the international market of finance as it been experienced in European countries. The decision of the firm to invest business based on different considerations to different expected returns, however this factor is of different risk in different nations. risk management factors involves risk consideration which deals with international diversities in effective manner than in domestic risk diversification to decrease risk of the business in relations to gains expected due to variability of economic trends between many countries (Howel, 2016).

Risk management factors also involve the need for return consideration before business start up is defined. Globally, there is competitive risk concern which is only normal to return rate gained. The firm can wish to invest more commercial banks in other countries abroad from domestically to generate more returns due to efficiency factors in the firm in Pakistan. Taxation is another risk if not properly planned which holds that tax law is of different nations and hence a company can invest internationally to decrease payment of tax to the government of the country. Foreign exchange risk cause uncertainty in the business returns arises unexpectedly. In risk management factor demand for the investment is fixed due to supply demand in the open markets this force foreign currency to increase rates to traders in imported items this puts risk of how much foreign exchange raise in buying products exported (Bekani 2011).

Aburinme (2005) observed risk management factors on performance and noted that global asset management are affected most from United Kingdom noted that short maturity of inflations risk is correlated to the bonds performance good than those of long-term maturity risk not performed to equities and fixed income from cash invested. Kamau (2010) observed the risk management practices from micro commercial banks in Kenya by the study of Nairobi city.

The evaluation of risk is a continuous concept in preference to risk of returns liability to market conditions on financial performance in optimal financial risks in selecting the business. The risk management factors entails to business policy statement, choosing the business and monitoring reports requirement to explain goals of controlling risk in optimal portfolio which refers risk as a probability to note that firm's returns may come out with alternatives results. Despite the previous studies of risk management factors it obvious that most of the study concentrate on income generating activities leaving behind the challenge of risk management which the study will focus. Commercial banks are like other financial institutions to give loans and other financial services to different stations country wide operating in Kisii town (Ngumi 2014).

STATEMENT OF THE PROBLEM

Velnampy (2016) observed that financial status of the company is affected by risks and noted that companies are going bankruptcy in their business expectation in poor risk management factors, despite this study there is unclear findings which contradict the determinant of financial management factors to financial performance which create a gap to carry out a study of the effect of risk management factors in Kenya. Michele (2013) conducted a study of portfolio management and financial performance in centum investment and found out that individual portfolio risks are not related to rate of interest risk expectations in individual variability but the study did not argue risk management factors in relationship to financial performance of Commercial banks. Therefore, this the study focused on risk management gaps created by these studies of Velnampy (2016) and Michele (2013) who concentrated on financial risks in commercial banks thus leaving out Commercial banks risk management factors which call for this study.

STUDY OBJECTIVES

The general objective of the study was to assess the effect of risk management factors on financial performance of Commercial banks in Kisii town.

Specifically the study sought to:

1. Determine the management of inflation rate risk on financial performance
2. Examine the effect of operational risk on financial performance
3. Investigate the effect of credit risk on financial performance

RESEARCH QUESTIONS

Based on the research objectives, the study was guided by the following questions

1. Does inflation rate risk affect financial performance?
2. Does operational risk affect financial performance?
3. Does credit risk affect financial performance?

LITERATURE REVIEW

This study was guided by three theories

The efficient Market theory - This theory was proposed by Hakanson (1978) to describe how efficiency is affected by risk factors in organizational growth and it related to this study in that it focused heavily market risk which is influenced by financial risk indicators of financial performance .According to efficient market theory, an increase in returns should be accompanied by an increase in risk

Risk Aversion Theory - Portfolio Risk aversion is an investor's general desire to avoid involvement in risky behavior and in this case of risky in (Fischer, 1972). Investors characteristically desire to make most of their returns with least risk potential. When the commercial banks face risk opportunity to related returns, good investor will desire investment of least risk as there is no benefit to choosing a higher level of risk unless there is also an increased level of return

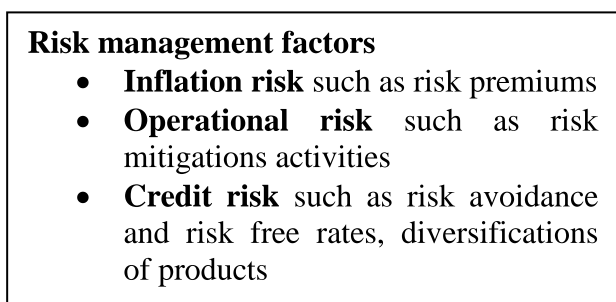
Utilitarian verses Deontological theory of Ethics

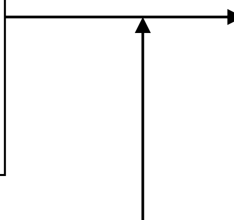
Ethics is a branch of philosophy which seeks to unveil the question of wrong and right. There are two major ethics theories which attempt to specify and justify moral rules and principles i.e. utilitarianism and deontological ethics. There are several varieties of utilitarianism, but basically utilitarianism approach to morality implies that no moral act is intrinsically wrong or right. Rather the rightness or wrongness of an act or rule is solely a matter of overall non moral good, produced in the consequence of doing that act or following that rule according to Bentham (1831). Philosophers and Theologians have both agreed that utilitarian theory of ethics is defective. According to them, utilitarian when adopted justifies morally appropriate things that are clearly immoral. As a result of the latter shortcomings modern philosophers have advocated for deontological ethics. Deontological ethics is in keeping with scripture, natural moral law and intuitions from common sense (Kant, 1956).

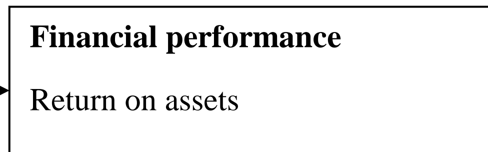
CONCEPTUAL FRAMEWORK

The conceptual framework is drawn to show the relationship of variables under study (Orodho, 2003). The effectiveness of risk management factors on financial performance independent variables are inflation rate risk operational risk and credit risks financial performance acts as dependent variable.

Independent variable **Dependent variable**







Moderating Variables

RESEARCH DESIGN

The study adopted descriptive research design. The proposed study was conducted in 18 Commercial banks. The target population was 482 respondents comprise of employees working in commercial banks. The study used 18% of the target population to select a sample of 86 respondents according to Mugenda (2003) who recommended for 10% to 30% of a sample. Stratified sampling technique was adopted and these gave every member of the population an opportunity of being included in the final sample which was selected for the study and comprised from six commercial banks employees by 30% of 18 commercial banks. Data was collected by use of questionnaires as the research instrument. Data collected was analyzed by use of descriptive statistics.

RESULTS AND DISCUSSIONS

Management of Inflation Risk and financial performance

The study sought to indicate time respondent take to assess management of Inflation risk periods to commercial banks. The results is shown in table 1

Table 1 Management of Inflation Risk

	Frequency	Percent	Valid Percent	Cum. Percent
One month	34	41.5	41.5	41.5
Two months	23	28.0	28.0	69.5
Three moths	15	18.3	18.3	87.8
Above three months	9	11.0	11.0	98.8
Not at all	1	1.2	1.2	100.0
Total	82	100.0	100.0	

The findings show that most of the respondents were taking within one month at 41.5% representing 34 respondents. The study can be concluded that the majority of the respondents had management inflation rates risk in one month.

The study asked the respondents to indicate relevant information that relates to inflation rates risk in commercial banks as it shown in Table 2.

Table 2 Management of Inflation rate Risk

	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
Inflation rate increases cost of loans	82	2.96	1.365	-.082	.266
It influence the industry to lower risk of future cartel	82	3.16	1.444	-.234	.266
It had costing variability of commercial banks	81	3.21	1.522	-.256	.267

The company operates with low returns from the increase of inflation rate risk	82	4.07	.539	.064	.266
In own view do accept that inflation rate risk minimizes rate of return	82	2.91	1.307	-.144	.266

From the study findings it indicated that the commercial banks operates with low interest rates from expected increase of inflation rate risk which had a high mean of 4.07 with standard deviation of .539, followed by inflation is efficient to accommodate deposit reduction for possible funding which had 3.21, and increases inflation as other assets without incurring loan losses to commercial banks and finally the respondents' view accepted that inflation risk minimizes interest rate of return to commercial banks. The findings indicated that the majority of the respondents show that the commercial banks operate with low returns from expected increase of inflation risk.

Correlation Matrix of Inflation risk

The study sought to determine the relationship between the effect of risk management factors and financial performance of commercial banks.

Table 3 Correlation matrix of Management of Inflation risk

		Inflation increases without	It had costing variability	Inflation is efficient	The company operates	In your own view
Inflation increases as assets without incurring losses	Pearson Correlation	1	.504**	.260*	.020	.289**
	Sig. (2-tailed)		.000	.019	.855	.008
	N	82	82	81	82	82
It had costing variability which improve financial performance of commercial banks	Pearson Correlation	.504**	1	.312**	-.078	.223*
	Sig. (2-tailed)	.000		.005	.483	.044
	N	82	82	81	82	82
Inflation is efficient to accommodate deposit reduction for possible funding	Pearson Correlation	.260*	.312**	1	.011	.459**
	Sig. (2-tailed)	.019	.005		.921	.000
	N	81	81	81	81	81
The company operates with low returns from the increase of	Pearson Correlation	.020	-.078	.011	1	-.166
	Sig. (2-tailed)	.855	.483	.921		.136

inflation rate risk	N	82	82	81	82	82
In your own view do you accept that Inflation risk minimizes rate of	Pearson Correlation	.289**	.223*	.459**	-.166	1
	Sig. (2-tailed)	.008	.044	.000	.136	
	N	82	82	81	82	82

From table 3 the findings indicated that inflation rates increases as inflation rates without incurring losses was positively and moderately related to their influence of inflation rates predictable loss at r 0.504. The study also show that there was weak relationship between efficient of inflations rates to accommodate deposit reduction for possible funding and the commercial banks operates with low returns from expected increase of commercial banks risk at r .260 and .020 respectively. The study findings show that there is a weak relationship between management of liquidity risks on the relationships between inflation rates risk and financial performance of commercial banks in Kisii town. This concurred with the study of Bekani (2011) who carried a study on the influence of profitability risk of operations of business firms in Pakistan and found out that operational risk affect financial growth of commercial banks and not in commercial banks which will be confirmed by this study.

Aspects of risk avoidance in commercial banks

The study sought to determine the aspect of risk avoidance of financial performance. The study shows that risk avoidance are known to some important aspects of risk avoidance in commercial banks.

Table 4 Aspects of Inflation Risk in commercial banks

	N Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Std. Error
Evaluation is done on risk worthiness to avoid risk in	82	2.65	1.502	.405	.266
Commercial banks managers are reminded to increase risk of inflation	82	2.98	1.440	-.109	.266
Time limit for risk	82	4.04	.777	-.064	.266
Inflation rate increase cost.	82	2.93	1.438	.054	.266
Valid N (listwise)	82				

From table 4 the findings indicated that Acceptance level of inflation risk should be set on various maturities, inflation rates risk undertakes legal action for clients who fails to follow to adhere to interest rate in offering credit risk. time limit is given inflation rates valuation, Inflation rates risk lead to increase of loss obtained and Time limit is given for loan valuation

was determined to financial performance with 2.65, 2.93, 2.98 and 4.04 respectively. The findings concluded that time limit is given for inflation rates risk valuation. The study agree with the study of Gardner (2015) argued on the stability of MIs in Kenya. The purpose of the study was to determine the effect of financial stability of commercial banks by 34 local enterprises found in Nairobi project. The study used regression model and found out that interest rate is from inflation risk which is unexpected in reduction of the earnings.

Correlations of Inflation Risk in Commercial banks

The study sought to determine whether the relationship between aspects of Inflation risk avoidance in commercial banks and financial performance exist. From table 5 it is indicated that the acceptance level of risk mismatches should be set on various maturities had significant relationship between inflation rates risk and financial performance and inflation rate risk lead to increase of loss obtained with r (.335**). The study also show that time limit is given inflation valuation and had statistical significant with a manager who undertakes legal action for clients who fails to follow credit risk for enhancing financial performance. The study concurred with the study of Boldbaatar (2016) who noted that the effect of inflation rates risk management had significant effect on financial growth. The finding is shown in table 5.

Table 5 Correlations of inflation Risk in Commercial banks

		Evaluation is done on risk worthiness to avoid risk levels.	managers are reminded to increase risk	Time limit is given	Undertake Inflation rate to increases cost of loans.
Acceptance level of risk mismatches should be set on various maturities.	Pearson Correlation	1	.335**	.151	.358**
	Sig. (2-tailed)		.002	.176	.001
	N	82	82	82	82
Inflation risk lead to increase of loss obtained	Pearson Correlation	.335**	1	.114	.590**
	Sig. (2-tailed)	.002		.309	.000
	N	82	82	82	82
Time limit is given Inflation valuation	Pearson Correlation	.151	.114	1	.320**
	Sig. (2-tailed)	.176	.309		.003
	N	82	82	82	82
Manager undertakes legal action for clients who fails to follow credit risk.	Pearson Correlation	.358**	.590**	.320**	1
	Sig. (2-tailed)	.001	.000	.003	
	N	82	82	82	82

However, aim of the study was to find the influence of inflation rates risk management and financial growth. The study found out that there exist a positive connection between inflation risk management and financial performance in commercial banks. Inflation rate risk is used to measure the level of convertible assets in the firm's operation against cash management. The increase of inflation rate risk leads to the increase of interest rates in which loan to improve financial performance.

Techniques used to analyze Inflation rate risk

The study sought to examine the effect of techniques used to analyze inflation rates risk used before cash is received by clients. The study findings show that character and willingness to analyze inflation rates risk the situations from market conditions had high mean 4.12, followed by risk management raised by the commercial banks return had 4.04. The findings show that standard deviation is increasing which implied that distribution of data was normal.

Table 6 Techniques used to analyze inflation rate risk

	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
Character and willingness to analyze risk situations from market conditions	82	4.12	.776	-.216	.266
Risk management raised by the firm's investment return	82	4.04	.777	-.064	.266
Inflation risk rate analysis from financial status	82	2.77	1.373	.108	.266
Valid N (listwise)	82				

The study findings show that character and willingness to analyze risk situations from market conditions and risk management raised by the commercial banks investment return was negatively skewed implying that there is no improvement risk management in commercial banks.

The study sought to examine the effect of Techniques used to analyze inflation rates risk and financial performance.

Table 7 Correction of techniques used to analyze inflation rate risk

		Character and willingness to analyze inflation	Risk management raised by inflation rates	Inflation rate risk analysis is a status
Character and willingness to analyze risk situations from market conditions	Pearson Correlation	1	.373**	.322**
	Sig. (2-tailed)		.001	.003
	N	82	82	82

Risk management raised by the firm's investment return	Pearson Correlation	.373**	1	.753**
	Sig. (2-tailed)	.001		.000
	N	82	82	82
Inflation analysis is a status to financial reporting	Pearson Correlation	.322**	.753**	1
	Sig. (2-tailed)	.003	.000	
	N	82	82	82

The study results show that character and willingness to analyze risk situations from market conditions was significantly related to character and willingness to analyze risk situations from market conditions to financial performance at r 0.373**. The study findings show that there is significant relationship between risk management raised by commercial banks and inflation rates risk analysis is a status to financial reporting with 0.322**. The study findings concluded that inflation rates had impact on financial performance.

Operational Risk Management

The study sought to determine the period of operational risks whether it affect commercial banks financial performance by reduction of risk incurred in practices. The study findings show that the period of the period of operational risks affect risk management at different levels as shown in table 8.

Table 8 The period of operational risks

	Frequency	Percent	Valid Percent	Cum. Percent
One month	33	40.2	40.2	40.2
Two months	21	25.6	25.6	65.9
Three moths	15	18.3	18.3	84.1
Above three months	9	11.0	11.0	95.1
Not at all	4	4.9	4.9	100.0
Total	82	100.0	100.0	

The study findings showed that most period of operational risk affect performance by one month with 33 of which representing 40.2%. The study findings indicated that not at all risk is analyzed implied that some enterprise do not distinguish operational risk to performance. The study concludes that the majority of the commercial banks are used to improve risk management.

The study sought to examine any relevant information that relates to operational risks in your Commercial banks.

Table 9 The relevant information of operational risks

	N	Minimum	Maximum	Mean	Std. Deviation
This risk is not material to the company	82	1	5	2.54	1.509
The Commercial banks are allowed to risk actions by profitability index	82	2	5	3.49	.653
Without proper operations protection, today's investors risk a repeat of the losses of asset value and purchasing power	82	3	5	4.07	.583
produce efficiently due to existence of cheaper factors of production in operational risk	82	1	5	2.16	1.170
Valid N (listwise)	82				

The study findings shows that without proper operations protection, today's investors risk a repeat of the losses of asset value are given by 4.07. However, the study recommends that produce efficiently due to existence of cheaper factors of production in operational risk. The study shows that operational risk had effect on financial performance since the standard deviation is increasing from .583 to 1.509 respectively. Bekani (2011) carried a study on the influence of profitability risk of operations of business firms in Pakistan and found out that operational risk affect financial growth of commercial banks and not in commercial banks which will be confirmed by this study.

Credit Risk and Financial performance

The study sought to establish the effect of credit risk and Commercial banks financial performance. The study findings show that commercial banks ever been affected by credit risks on their performance.

Table 10 Commercial banks ever been affected by credit risks

	Frequency	Percent	Valid Percent	Cum. Percent
Strongly disagree	31	37.8	37.8	37.8
Disagree	22	26.8	26.8	64.6
Not sure	13	15.9	15.9	80.5
Agree	14	17.1	17.1	97.6
Strongly Agree	2	2.4	2.4	100.0
Total	82	100.0	100.0	

From table 10 show that most of the respondents are strongly agree at 37.8 that commercial banks ever been affected by credit risks. The study show that level of disagreement was increasing to enterprise management and financial performance of commercial banks credit financing.

The study sought to determine the extent to which credit risks affect financial performance. The study found that alleviation of managerial risk resources, commercial banks can use credit financing to avoid credit risk, The use of credit policy affect performance, financing credit seems to be fair for growth, revenue increase to efficiency benefits, credit facilities reduce loan of returns, credit is upon a merger, cross default and currency convertibility on financial performance, credits financing discourage savings with 4.48, 4.40, 4.39, 4.38, 2.48 and 2.37 respectively as in table 11.

Table 11 Commercial banks ever been affected by Credit risks

	N	Minim	Maxim	Mean	Std. Dev.
Credit facilities Reduce sales volume of returns	82	1	5	3.33	1.370
Alleviation of managerial risk resources	82	3	5	4.48	.571
Credits risk discourage savings	82	1	5	2.37	1.262
Credit is upon currency convertibility	82	1	5	2.48	1.468
Commercial banks can use credit financing to avoid credit risk	82	1	5	4.39	.733
The use of credit policy affect performance	82	1	5	4.38	.764
Big business volume is of high risk of profile	82	1	5	2.56	1.516
financing credit seems to be fair for growth	82	1	5	4.40	.700
Revenue increase to efficiency benefits	82	3	5	4.48	.571
Valid N (listwise)	82				

The study findings show that the majority of the respondents accepted that alleviation of managerial risk resources and increase in revenue improves financial performance. The study agreed with the study of Fama (2013) who observes that there are strong relations to credit financing imposed on financial performance of the firms. However, the study recommended that

effective credit risk management improve credit financing in big business volume is of high risk of profile.

The study also used correlation analysis to indicate the relationship between credit risk and financial performances. The findings show that there were negative relationships between alleviation of managerial risk resources and credit facilities Reduce loan offered of returns at -.455**. The study findings indicated that there is positive correlation between credit facilities reduce sales volume of returns and credits financing discourage saving, credit is upon a merger, cross default and currency convertibility on financial performance with .586** and .590** respectively as shown in table 12. The study showed that most firms produce different product lines which deal with different credit impact. Fama (2013) argued by the study of the effect of common risk factor in interest returns. The study aim was to investigate the effect of credit policy on financial performance.

Table 12 Correlation matrix of credit risk factors on financial performance

		Credit risk returns	Alleviation managerial risk resources	Credits discourage savings	Credit is upon currency convertibility
Credit risk of returns	Pearson Correlation	1	-.455**	.586**	.590**
	Sig. (2-tailed)		.000	.000	.000
	N	82	82	82	82
Alleviation of managerial risk resources	Pearson Correlation	-.455**	1	-.124	-.126
	Sig. (2-tailed)	.000		.265	.260
	N	82	82	82	82
Credits financing discourage savings	Pearson Correlation	.586**	-.124	1	.798**
	Sig. (2-tailed)	.000	.265		.000
	N	82	82	82	82
Credit is upon a merger, cross default and currency convertibility on financial performance	Pearson Correlation	.590**	-.126	.798**	1
	Sig. (2-tailed)	.000	.260	.000	
	N	82	82	82	82

The findings show that there were statistical significant relationships between credit risk and financial performance. The study agrees with Asa (2009) who studied the impact of credit assessment practices and company performance in New Zealand companies. The findings indicated that growth credit risk had statistical significant effect on performance.

Analysis of Risk management and Financial performance

The study sought to determine the effect of Risk management factors on Financial performance. The results were shown in table 12.

Table 12 Descriptive Statistics of Risk Management

	N	Minim	Maxim	Mean	Std.Dev.	Skewness	
	Statist	Statistic	Statistic	Statist	Statistic	Statisti	Std.Err
management of inflation risk	82	1	5	4.35	.776	-1.690	.266
operational risk	82	1	5	4.41	.736	-1.790	.266
credit risk	82	1	5	3.63	1.511	-.824	.266
Valid N (listwise)	82						

The finding show that operational risk had the highest mean, followed by management of inflation risk and finally with credit risk with 4.41, 4.35 and 3.63 respectively. The study revealed that operational risk had the highest effect on financial performance.

The study sought to determine the relationship between risk Management and Financial performance. The findings was presented in table 13.

Table 13 Correlations matrix of Risk Management

		Inflation risk	Operational risk	Credit risk
Management of inflation risk	Pearson Correlation	1	-.022	.112
	Sig. (2-tailed)		.843	.318
	N	82	82	82
Operational risk	Pearson Correlation	-.022	1	.083
	Sig. (2-tailed)	.843		.461
	N	82	82	82
Credit Risk	Pearson Correlation	.112	.083	1
	Sig. (2-tailed)	.318	.461	
	N	82	82	82

The study findings indicated that Management of inflation risk was negatively correlated to Operational risk at -.022. The study findings concluded that credit risk had a weak significant relationship between credit risk and financial performance.

The Risk Management and Financial Performance

Regression model

The study sought to establish the relationships between the risk management factors and financial perfomance. The results are shown in Table 14.

Table 14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482[a]	.232	.202	1.045

a. Predictors: (Constant), Credit risk, Operational Risk , Management of inflation Risk

The study findings show that 48.2% of risk management had significant effect on financial performance while the other remaining percentage was explained by other variables not under the study.

ANOVA of the risk management factors

The study findings show that the ANOVA had F (7.749, .000[b]) implied that risk management had significant effect by its credit risk, operational risk and management of inflation risk.

Table 15 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	25.405	3	8.468	7.749	.000[b]
	Residual	84.150	77	1.093		
	Total	109.556	80			

a. Dependent Variable: FINANCIAL PERFOMANCE

b. Predictors: (Constant), credit risk, operational risk , inflation risk

The study finding show that there exists relationship between risk management and financial performance.

SUMMARY OF FINDINGS

The study sought to establish the effect of risk management factors inflation rate risk, operation risk and credit risk on financial performance of commercial banks. The results from respondents were used to assess views on the management risk periods to commercial banks. The findings show that most of the respondents were to measure risk from one month onwards. The two month was highly identified and three months from the respondents results. The study findings from descriptive statistics show that there was a statistical relationship between risk management factors and financial performance of commercial banks.

Inflation risk

The study sought to examine the effect of techniques used to analyze inflation rates risk and financial performance. The findings show that inflation risk was used to increase market price

before money is received by clients. The study findings from character and willingness show that inflation rates risk vary with market conditions, and other loan interest in commercial banks return. The study indicated that respondent take time to assess management of Inflation risk periods which is long enough to adjust financial performance of commercial banks. The findings show that most of the respondents were taking within one month at 41.5% representing 34 respondents. The study can be concluded that the majority of the respondents had accepted management of inflation rates risk mostly done in every one month of the business.

Operational Risk Management

The study sought to determine the period of operational risks on financial performance. The findings show that whether it affect or not it had influence of commercial banks financial performance by cost reduction of risk incurred in practices. The study findings show that the period of the period of operational risks had statistical significant affect on financial performance at different levels. The study sought to determine the period of operational risks whether it affect commercial banks financial performance by reduction of risk incurred in practices. The study findings show that the period of operational risks affect different financial levels.

Credit risk

The study sought to determine whether the relationship between various aspects of credit risk on financial performance in Commercial banks. The findings show that financial performance is affected by existing risk. The study also shows that time limit is given credit risk valuation. The study shows that credit risk had statistical significant on financial performance. The study show that manager undertakes authorize clients. The study fails to monitor credit risk for enhancing financial performance. The study findings indicated that there exist positive connection between credit risk management and financial performance of Commercial banks.

CONCLUSION

Inflation rate risk

From the study findings it can be concluded that the commercial banks operates with low interest rates from but later increase of inflation rate risk causes the increase shown from standard deviation. The findings also show that inflation is maintained constantly and efficient to improve loan interest for possible return on loan. However, the increase of inflation is mainly from market environment without many obstacles in loan offered to commercial banks. The study revealed that the respondents' view accepted that inflation risk increases interest rate of return to commercial banks. The findings indicated that the majority of the respondents show that the commercial banks operate with low returns from unexpected increase of inflation risk.

Operational Risk Management

The study findings show that without proper operations protection, commercial banks risk repeatedly from losses of asset value. However, the study indicated that risk of operation is

efficiently controlled, but operational risk of commercial banks. The study show that operational risk had statistical significant effect on financial performance since the standard deviation is rising from .583 to 1.509 from the descriptive analysis. Bekani (2011) argued that the influence of operational risk affect profitability. Risk of operations has inversely related to financial performance of firms in Pakistan. The study found out that operational risk slow financial growth of commercial banks and not predictable in commercial banks which should confirmed by this study.

Credit risk

The study concluded that credit rates risk lead to the more loss due to low risk returns to improve financial performance. The study indicated that the technique used to analyze credit risk is significantly related to borrowing risks by clients. The study findings show that character and willingness to analyze risk is used for market risk. The study results show that character and willingness was significantly related risk valuation on financial performance. The study findings show that there is significant relationship between credit risks on financial performance. The study findings show that the period of the period of credit risk affect financial performance.

RECOMMENDATION

Inflation risk

The study recommended commercial banks should reduce low interest rate risk from expected increase of inflation rate risk in commercial banks risk observed from r .260 and .020 respectively. The study findings recommended that inflation rate risk and interest rate risk should be the increased uniformly on the relationships between inflation rates risk and financial performance. This study concurred with the recommendation of Bekani (2011) who recommended for a study on the influence of risk of operations of firms in Pakistan. The study found out that operational risk affect financial performance in commercial banks and not in commercial banks which should be confirmed by this study.

Operational risk

The findings recommended that operational risk increases losses in business without incurring losses was positively, moderately related to influence of operational risk rates. The study also shows that there is need to effectively improve operational risk on deposit reduction for possible returns from expected risk factors. The findings recommended there is need to implement risk through legal action to control risk. The time limit should be given through operational risk valuation.

Credit risk

The study findings recommended that credit risk should be performed by at the end of one month. The study recommended that there is need to asses all credit risk which do not distinguish credit risk to financial performance. The study findings recommended that should be improved for proper protection. The value of credit risk should be given. However, the study

recommends that create credit efficiently due to existence of management risk. The study findings recommended that commercial banks should be implemented by risk management techniques by various credit risks on their performance.

Suggestion for further study

The study concentrated on risk management factors so another study can be conducted managerial risk resources on financial performance. The study was done on credit risk on financial performance of banks, thus another study can be conducted on the effect of credit risk on financial performance of business enterprise.

REFERENCES

Aburime U. T (2005) determine the effect of bank profitability, evidence in Nigeria

Asa Johansson (2009) the impact of taxes and company performance in New Zealand University of wellington Tax reform in globalizing world, international country perspectives, white publishers

Bekani Satu (2011) measurement of financial performance, Islamad Pakistan institute of development economics

Benstein Anata (2010) the valuation of asset and risk scale of economies in banking performance, journal of economic and businesss vol 48 151-158

Boldbaatar den (2016) the effect of interest rate on financial shock on performance in Malayzia

Chadran, C. (2004). Research Methods with Illustrations from Christian Ministries. Star bright Services Ltd

Chandra Polycap (2015) the effect of investment analysis and portfolio management 2nd edtn Tata Mcgraw, NewYork.

Dondo Aans (2012) the nature of micro -commercial banks in Kenya rural enterprise in Nairobi university project

Fama Eugene and French Kenethe R. (2013) the effect of common risk factor in returns in the stocks bonds, journal of financial economics 33Vol 1 3-53

Fischer 1972 theoretical finance concepts, prentice hall UK.

Louis Finney (2013) managing inflation risks in defined contributions of plans, white paper for professional institutional investors in US

Gardner M. Cooperman (2015) the stability of MIs In Kenya, local enterprise program in Nairobi project university of Nairobi Kenya

Hajkova, Nicoleti and Vartia Brys and K. Yoo. (2016) taxation and financial environment and its effect foreign direct investment in Japan

Hubbard (2010) tax policy on entrepreneuarial entries, American economic association papers and proceedings vol. 90 2

Howel Bain (2016) financial markets and institutions, Pearson education press

Kamau W.J. (2010) factors of profitability of commercial banks in Kenya, university of Nairobi project

Micheni Jackson (2013) the effect of portfolio management and financial performance, in centum investment in Nairobi university

Mugenda (2003) business research Methods University of Nairobi, Kenya.

Mwangi Main A. (2013) The relationship of working capital and performance in NSE, Research project from university of Nairobi

Ngumi Mwang S. (2014) Lending risk on financial performance f MIS in Kenya university of Nairobi

Velnampy, T., & Niresh, J.A. (2012).The Relationship between Capital Structure and Profitability. Global Journal of Management and Business Research, 12(13), 40-75.

Stiglitz C. (2014) the effect of investment analysis and financial growth, Tata New Jersey prentice Hall publishers

Tobin J. (2008) Liquidity preference and risk, review of economics studies, India